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DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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June 4, 2013

David Hibbs, President and Resident Agent
UtahAmerican P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Gas Vent Hole Status Update, Permit Commitment, Annual Report Reporting Requirement, UtahAmerican Energy, Inc., Centennial Project, C/007/0019

Mr. Hibbs:

The Division recently completed the review of the 2012 Annual Report for the Centennial Project which was submitted on April 9, 2013. It appears that all of the permit commitments have been addressed with the exception of the requirement found in Appendix X, page 1-2, to report the status of each of the gob vent wells which were drilled to enhance the Mine's bleeder ventilation system.

According to the reclamation agreement contained in the MRP, UtahAmerican Energy, Inc. is responsible for the reclamation of all GVH sites, which includes plugging, re-contouring of the land and establishment of new vegetation. Commitments in the MRP require that UEI update the status of each well site once a year in the Annual Report which is prepared for the Division.

The status report of the wells submitted as part of the 2012 Annual Report contains a few brief statements; "*all UEI equipment was removed from each of the well sites*"; "*the pads were sprayed with a herbicide to help control thistle*". "*All sites were partially graded and mulched*".

This is not considered adequate to meet the requirements of the Annual Report commitment or of the permit.

Please re-submit the gob vent hole status update, which must include the following information:

- 1) Please comment on the status of the reclamation at pads 15, 16, and 17 on Mathis owned land which was to be fully reclaimed in 2012.
- 2) Please comment on the status of the contemporaneous reclamation (reduction of well pad size) which was to occur during the fall of 2012 on well sites GVH 7, 7A, 14 and 5A (Cave, Critchlow surface ownership) and on well pads GVH-8, 8A, and GVH-4 (Mathis owned surface).
- 3) Please comment on reduction of the surface roughening technique used for the water harvesting process on well sites GVH 7, 7A, GVH 5A, GVH 14, the size reduction of the "pocks" on well pads GVH 6, GVH 11, GVH 12 and GVH 13. Also, please comment on other work which has been completed on these sites.
- 4) Please comment on the topsoil re-distribution on well pads GVH 4, 8, 8A and 14 and on the graded partially reclaimed pads 7, 7A, 6, 5A, 11, 12, and 13 on Cave / Critchlow land.
- 5) Please comment on the operational status of the following wells; GVH-7A, GVH 13, GVH-8A, GVH 4, 5A, 8, and 9. As far as is known, all of these still need plugging, as does the completion of the reclamation activities.
- 6) Sites GVH 6, 12, and 13 were to be re-seeded in the fall of 2012 (the first seeding failed) and water bars were to be constructed on the access road to well GVH-13. Please comment on the status of the re-seeding and water bar installation.
- 7) Appendix X, Section 341.200 of the MRP states that wood fiber mulch would be applied on top of distributed seed at a rate of 2000 #'s / acre and anchored with a tackifier. Please comment on the type and rate of mulch applied to each site.
- 8) Figure 1-1 depicts the access roads which were constructed to access well sites GVH 4, 5A, 6, 8, 8A, 11, 12, 16 and 17. Please comment on the status of reclamation for each access road developed for the drilling of the aforementioned vent wells.
- 9) The following well sites were actively operated by Blue Tip in August 2012: GVH 3, GVH 7 and GVH 11. The following well sites are disconnected from the gas line and appear to be unused by Blue Tip; GVH 7A (need to plug well), GVH 13 (need to remove and replace the surface culvert tie-in to the gas line and hand pump. The well also needs to be plugged). Well GVH 8A needs to have the valves and the solar panel removed, and the well needs to be plugged. GVH 4, 5A, 8 (well needs plugged) and 9 need to have the reclamation completed. Please comment on the status of plugging the wells and the removal of Blue Tip Energy equipment from these sites.

As you can see, it appears that a great deal of work still needs to be completed at the well sites to remain in compliance with the terms of the permit and performance standards of the Utah Coal Mining Rules.

In accordance with the requirements of:

- a) R645-301-551, Casing and Sealing of Underground Openings, and R645-301-542.700, et al, Final Abandonment of Mine Openings
- b) R645-301-541.300, Reclamation of Affected Lands, and
- c) R645-301-542.600, Reclamation of Roads

UtahAmerican Energy is responsible to reclaim the disturbance associated with all of the gob ventilation boreholes to pre-mining, undisturbed conditions. To date, only GVH-1 and GVH-5 have been fully reclaimed.

We are now into June, 2013 and there are about five months remaining to accomplish as much of the aforementioned reclamation work as is possible this year. The Division would like to meet with you at the site on June 20 to learn what goals have been set for the reclamation of these wells in 2013. Please contact Pete Hess at (435) 613-3731 to schedule this onsite meeting.

A copy of the Divisions Annual Report Review for 2012 is enclosed for your convenience.

Thank you for clarifying the status of each remaining gob vent borehole in an expedient manner.

Sincerely,



Daron R. Haddock
Coal Program Manager

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Annual Report

This Annual Report shows information the Division has for your mine. Submit the completed document and any additional information identified in the Appendices to the Division by the date specified in the cover letter. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

Company Name Andalex Resources INC

Mine Name

Centennial Mine

Permit Number C/007/0019

Permit expiration Date

2017-04-01

Operator Name Utah American Energy Inc.

Phone Number

+1 (435) 888-4000

Mailing Address P.O. Box 910

Email

dhibbs@coalsource.com

City East Carbon

State Utah

Zip Code

DOGM File Location or Annual Report Location

Excess Spoil Piles

☐ Required☒ Not Required

Refuse Piles

☐ Required☒ Not Required

Impoundments

☒ Required☐ Not Required

Other:

OPERATOR COMMENTS

The Centennial Mine operation was inactive during 2012.

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

The annual sediment pond inspection for 2012 was done on September 12, 2012. The information is contained in a report dated April 4, 2013, which was P.E. certified by a Utah P.E. on April 8 2013. (KRH)

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the Mining and Reclamation Plan and conditions accepted with the permit are completed throughout the year. The Division has identified these commitments below and has provided space for you to report what you have done during the past year for each commitment. If additional written response is required, it should be filed as an attachment to this report.

Title: FIRE SUPPRESSION

Objective: Andalex will commit to prevent, control and suppress range forest and coal fires within the permit area.

Frequency: To the extent possible

Status: Ongoing

Reports: Report if range fires have occurred on the permit area during the year.

Citation: Volume 1, Chapter 3, page 3-10, paragraph 5

Operator Comments

No range fires have occurred on the permit area during 2012.

Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

Title: SUBSIDENCE MONITORING

Objective: Determine subsidence effects from mining.

Frequency: Annually

Status: Ongoing

Reports: Provide annual subsidence monitoring data **and MAP** and report of impacts in annual report.

Citation: Volume 1, Chapter 5, Page 5-150a, 5-151.

Operator Comments

Subsidence monitoring information is included.

Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

The annual report included updated subsidence information and raw data. Monitoring was conducted by Ware Surveying on November 28, 2012. No significant subsidence was observed beyond the expected subsidence as described in the approved MRP.

Title: GAS VENT HOLE STATUS UPDATE

Objective: To keep the Division apprised of the status of all wells drilled above the Aberdeen Mine including any future venting of existing wells and/ or development of non GVH pads and to ensure that reclamation of each disturbance is accomplished in a timely manner once the wells are no longer in use.

Frequency: Annually

Status: Ongoing

Reports: Annual report item

Citation: Appendix X, page 1-2

Operator Comments

GVH Update Included.

Reviewer Comments ☐ Met Requirements ☒ Did Not Meet Requirements

[Reviewed by PWB, 6/4/2012] Page 17 of the annual Report documents activity at the decommissioned gas vent holes. UEI stated that all their equipment was removed and sites were sprayed for thistle. UEI states that all sites were partially reclaimed (graded) and mulched.

Inspection report #3197 outlines the timetable agreed to by UEI and the Division during a meeting at the site on August 14, 2012.

Inspection Report 3284 recounts a follow up site visit on 11/1/2012. The reclamation agreement, found in Appendix X (attachment 1-1 of the MRP), specifically lists UEI as primarily responsible for the reclamation of the gas vent well and pad sites. To date, GVH sites 1 and 5 have been fully reclaimed. The following well sites were actively operated by Blue Tip in August 2012: GVH 3, GVH 7, and GVH 11.

As outlined in the Inspection Reports, an understanding was reached by both the Division and UEI that the following would be achieved in the Fall of 2012:

Pads at GVH sites 15, 16, 17 were developed, but the wells were never drilled and the mine did not extend beneath the pads. Pads at sites 15, 16, and 17 on Mathis owned surface would be fully reclaimed in 2012. Please comment on the progress of reclamation at pads 15, 16, and 17.

Contemporaneous reclamation work for the 2012 would include reducing the pad sizes on GVH 7 and GVH 7A and GVH 14 on Cave/Critchelow owned surface and GVH -8 and GVH-8A and GVH -4 on Mathis owned surface. Please comment on the progress of this reclamation.

Landowners requested that the gouges be eliminated where slopes are fairly level (ie. sites GVH 7 and 7A, GVH 14 and GVH 5a) and reduced in size on steeper slopes (i.e. GVH Pad 6, GVH 11, GVH 12, and GVH 13). Gouges would be flattened by running track equipment over the gouges, prior to topsoil application. Please comment on the status of the work at these sites.

Topsoil would be placed over the contemporaneously graded sites as described in MRP Section 242.100 prior to seeding in the late fall. All the topsoil would be used, leaving no remaining piles. Topsoil storage sites would be surface roughened and seeded as well. Please comment specifically on the progress of topsoil redistribution at sites GVH 4, 8, 8A and 14 and on the graded partially reclaimed pads 7, 7A, 6, 5A, 11, 12, 13 on Cave/Critchelow land.

The following well sites are disconnected from the gas line and appear to be unused by Blue Tip: GVH 7A (need to plug well), GVH 13 (need to remove and replace the surface culvert tie-in to the gas line and hand pump and plug the well), GVH 8A (need to remove valves, solar panel and plug well), GVH 4, 5A, 9, and 8 (plug well). Please comment on the status of plugging wells and removal of Blue

Tip Energy equipment from these sites.

GVH sites 6, 12, and 13 were contemporaneously reclaimed and seeded in 2011, but the seeding failed. Sites 6, 12, 13 were to be reseeded in 2012 along with sites 1 and 5 to encourage grass production. The landowner requested that final reclamation include water bars on the road down to GVH 13. Please comment on the status of this seeding and water bar construction.

App. X Section 341.200 states that wood fiber mulch is to be applied on top of the seed with hydroseeding equipment at the rate of 2,000 lbs/ac and anchored with a tackifier. Please comment on the type and rate of mulch applied to each site.

Roads constructed to GVH 4, GVH 5A, GVH 6, GVH 8, GVH 8A, GVH 11, GVH 12, GVH 16, and GVH 17 will be reclaimed as shown on Figure 1-1. Please comment on the status of road reclamation.

A letter from the Division, dated June 4, 2013 was sent to Mr. David Hibbs, President and Resident Agent of UEI stating that the Annual Report information describing the status of the reclamation efforts on the GVH holes as inadequate. The Division is trying to set up a meeting with the Permittee to discuss the efforts to be made during the 2013 summer season. (PHH, 6/6/2013)

FUTURE COMMITMENTS AND CONDITIONS

The following commitments are not required for the current annual report year, but will be required by the permittee in the future as indicated by the "status" field. These commitments are included for information only, and do not currently require action. If you feel that the commitment is no longer relevant or needs to be revised, please contact the Division.

<p>Title: SAGE GROUSE NEST SITE EVALUATION</p> <p>Objective: Prior to development of the well site, a Sage Grouse nest site evaluation will be conducted by a knowledgeable wildlife biologist. If nests are located, an alternative drill site location will be determined.</p> <p>Frequency: Based on the need to drill additional de-gas wells.</p> <p>Status: Required in future if new de-gas wells are proposed.</p> <p>Reports: Send with application</p> <p>Citation: Appendix X, Chapter 3, page 3-5, paragraph 1</p>
<p>Title: RECLAMATION SUCCESS</p> <p>Objective: Determine reclamation success.</p> <p>Frequency: Reclaimed areas will be monitored monthly for the first two growing seasons following reclamation.</p> <p>Status: Check at reclamation.</p> <p>Reports: When monitoring commences.</p> <p>Citation: Volume 1, Chapter 3, page 3-17 paragraph 5.</p>
<p>Title: RECLAMATION ENHANCEMENT MEASURES</p> <p>Objective: Andalex will consult with the Division of Wildlife Resources, at the time of final reclamation, to determine exactly what reclamation designs, planting arrangements, and artificial structures would best enhance wildlife habitat.</p> <p>Frequency: Once</p> <p>Status: Will be required prior to final reclamation</p> <p>Reports: Report reclamation plans to Division for incorporation into MRP</p> <p>Citation: Volume 1, Chapter 3, page 3-23, paragraph 1</p>
<p>Title: SEALING OF WELLS</p> <p>Objective: Permanent closure of wells using measures required by the Division to prevent access and contamination of groundwater.</p> <p>Frequency: When wells are no longer needed.</p> <p>Status: Throughout mining</p> <p>Reports: Report in Annual report the year when wells are completed.</p> <p>Citation: Gob Gas Vent Wells: Appendix X R645-301.542.700 All other exploration and water wells: MRP - 301.529.100 301.755</p>

OPERATOR COMMENTS (Optional)

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REVIEWER COMMENTS:

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REPORTING OF OTHER TECHNICAL DATA

Please list other technical data or information that was not included in the form above, but is required under the approved plan, which must be periodically submitted to the Division.

Please list attachments:

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Reviewer Comments

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MAPS

Copies of mine maps, current and up-to-date, are to be provided to the Division as an attachment to this report in accordance with the requirements of R645-301-525.240. The map copies shall be made in accordance with 30 CFR 75.1200 as required by MSHA. Mine maps are not considered confidential.

Map Name	Map Number	Included		Confidential	
		Yes	No	Yes	No
mine map		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

A mine map was included.